



Congressman

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**OPENING STATEMENT OF
THE HONORABLE JOHN M. McHUGH
MWR PANEL HEARING ON MWR AND RESALE PROGRAMS**

I welcome all members to our first meeting in this second session of the 106th Congress. My colleagues know that we are operating on an accelerated schedule this year, so that this hearing may well be our only meeting this year besides markup.

This is indeed a sad occasion. Two thirds of the Panel's very active and very distinguished Virginia delegation, my good friends and colleagues Herb Bateman and Owen Pickett, will retire at the end of this Congress. We will all miss their wise advice and counsel as fierce protectors of MWR programs for the troops and their families. Thank you, Herb and Owen, for your loyal service to our military families.

Today, the Panel will hear testimony concerning service Morale, Welfare, and Recreation programs and resale activities. Each year seems to bring a new issue for the Panel to sort out, and this year is no exception. In my opinion, the most serious problem we face is finding a way to make the commissary surcharge fund solvent. As my colleagues know, the surcharge is a 5% fee added at the register. By law, the money is spent on operating expenses such as utilities and paper bags. More importantly, the surcharge is the Defense Commissary Agency's sole source of funds to renovate and build new commissary stores.

Since DECA was formed in the early nineties, Dick Beale worked aggressively to modernize facilities. Unfortunately, the money ran out before the job was done, and to be sure, maintenance and replacement of almost three hundred retail facilities throughout the world requires a continuous stream of income. At the current level of sales and expenditures, a five per cent surcharge simply will not allow us to keep up with the demand.

Last year, the Panel requested the Department's views on the best way to fix the surcharge. To my knowledge, that report has not been received. I am disappointed that we have not received the Department's views, because the Panel is ready to help. In our view, the commissary benefit is the cornerstone of MWR programs. The lure of low commissary prices draws customers to posts and bases, generating exchange sales, which result in profits supporting all MWR programs.

As serious as the situation is, I do not expect that we will consider raising the percentage charged to the customer. I understand that the Department is working on a solution that would shift some of the items currently paid by the surcharge to the appropriated fund side of the equation. The Panel is most interested in anything that the Department may have in mind, since we intend to act this year to preserve this benefit into the future.

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I should note that after years of asking questions and emphasis, the military services at last appear to be moving in the right direction regarding appropriated fund support of MWR activities. In response to the report the Panel directed in last year's bill, DOD reports that all services except the Marine Corps have finally reached the minimum required levels of appropriated fund support to these vitally important programs. Congratulations, and please, please, keep it up. Someday, maybe you'll all have standards in place to measure your progress against, like the Army is so diligently working.

We also understand that the Department may request that the Panel review restrictions on what exchanges may sell, particularly the restrictions on televisions with screens larger than 35 inches. As always, the Panel will be interested in the Department's views, the expected effect on sales, and the views of local businesses.

Lastly, we had hoped to be able to examine the Department's plan to integrate the exchange services, because almost any integration plan that I can conceive will require legislative authority. Before the Panel agrees to any such legislation, I believe we should have an opportunity to carefully consider the Department's plan and have a hearing devoted to the examination of that proposal. Since we don't have the plan and since we expect to begin the markup process soon, I do not envision moving legislation on exchange integration this year in our bill.

Our witnesses today will address these and other issues facing MWR. The Panel will hear from the Department of Defense and service policy chiefs in MWR and resale, as well as the DOD and service operators of MWR programs and resale programs. All the Department's key leaders for MWR programs are here today to provide us their expertise.

Each year of the six years that I have been chairman, this Panel sent a clear message – we are solidly behind the morale, welfare, and recreation system. I'm sorry to be repetitious, but programs in Washington need continuous, publicly expressed support from all concerned parties to survive the very tough budget wars we face. I encourage all here today—defense leaders, military families, and industry— to speak up in support of this very important system when issues arise. We intend to work on the surcharge fund this year. Let's see if we can all agree on a solution.

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